



**MT NEBO SCIENTIFIC, INC.**  
*research & consulting*

File M/049/011

cc: Lynn Kunzler

VIA Hand Delivered:

December 17, 2004

Mr. Lance Heaton  
*Pelican Point Rock Products*  
1565 North Redwood Road  
Lehi, Utah 84043

RECEIVED

DEC 29 2004

**RE: Services Agreement Termination**

DIV OF OIL GAS & MINING

Dear Mr. Heaton:

With regret and for several reasons, I should inform you that we do not feel we can continue the current project work for Pelican Point Rock Products (PPRP). To make sure that you are familiar with some of the **details that influenced this decision**, I have included below a brief history of some of the most applicable sequences of events and circumstances pertaining to *Mt. Nebo Scientific's* projects at the Pelican Point quarry.

- August 2, 1996 - In behalf of Larson Limestone, *Mt. Nebo Scientific, Inc.* submitted an Notice of Intent (NOI) for the Pelican Point quarry to the State of Utah, Division of Oil, Gas & Mining (DOGM). The NOI included a Historical Summary, Operation Plan, Impact Assessment, Reclamation Plan, Surety Considerations, Figures, Appendices, Variances and Maps for the quarry site. **The document was approved by DOGM and enabled the quarry to continue its current operations.**
- January 1997 thru December 1998 - *Mt. Nebo Scientific, Inc.* prepared additional work requested by DOGM for the Pelican Point quarry. Some of this work included additions, addendums and revisions to the above-mentioned NOI (these documents were dated April 25, 1997; May 1, 1997; May 14, 1997; January 30, 1998; July 3, 1998).
- July 31, 2003 - A "Notice of Intent to Commence Mineral Operations on State Trust Lands" was submitted to the State of Utah, School and Institutional Trust Land Administration (SITLA) by *Mt. Nebo Scientific, Inc.* for the Pelican Point quarry. SITLA is a sister agency to DOGM. Sections in this NOI included Historic Information, Operations Plan, Reclamation Plan, Description of the Environment, Legal Issues, and Drawings. **This document applied for additional state lease land enabling future expansion of the quarry.**

As a side note, this project was brought to us with very little time for completion based on the deadline necessary for the state to lease the land to PPRP. *Mt. Nebo Scientific, Inc.* completed the work on time, but not without delaying other projects and much difficulty with long work days and weekend work due to the limited time-frame (it was difficult on me and I asked a lot from my staff).

- August 2003 to present - DOGM has requested PPRP to submit other required information to update their NOI. Briefly, they have requested a *complete revision* to your current mining plan or NOI including methods and location of areas mined in the past, present and future. All of this information plus a reclamation plan for these areas will also be needed for bonding purposes. New map sets for the NOI created from the 2004 aerial photographs should be included with the submittal (for more details, refer to Attachment A).

On **June 8, 2004**, DOGM wrote a "Notice of Potential Non-Compliance" to PPRP. This letter outlines some of the problems and communications between DOGM and PPRP (Attachment B).

As explained in my previous correspondence and meetings with representatives of PPRP, I have had many conversations and meetings with DOGM about these projects and the urgency to comply with the state regulations. After my communications in **July 2004** with DOGM, I met with and later wrote a formal letter to PPRP regarding the time schedule required to complete the work for your company (Attachment A). DOGM approved your extension request for providing the documents to them by **January 31, 2005** (*DOGM has been more than fair with several of your extension requests*). But even with the approved extension and as I stated in the letter to PPRP (**July 19, 2004**; Attachment A), I needed your company's response to *Mt. Nebo Scientific, Inc.* by **July 26, 2004** for us to draw up a contract and get the work started. I did not hear back from PPRP until **September 17, 2004**.


Even at that late date, I agreed to continue working on the project, but told Amy Andersen that I needed a meeting with you personally so we could review the project requirements and I could provide you with a contract that would include a retainer for some of the work accomplished to date. Although I wanted it sooner, the meeting finally took place at the quarry on **December 1, 2004**. I reiterated the project requirements at that time; you discussed your company's situation and status. With all said, we both signed an agreement to continue the work with the goal to meet DOGM's deadline with the stipulation that *you provide Mt. Nebo Scientific, Inc. with a \$15,000.00 retainer no later than **December 15, 2004**.*

We did not receive the retainer by the required date. Our next communication was from a telephone conversation with you on **December 16, 2004**. You indicated it would be at least another week before the funds for the retainer could be available. I told you on the telephone at that time I would get back to you with my response no later than **December 17, 2004**. I was not sure that we could delay payments one more time (Note: With all of the recent invoices billed for the work described above, it has taken from 2 to 4 months to receive payments for services rendered to PPRP by *Mt. Nebo Scientific, Inc.*).

I have met with my staff members and have put much consideration into the project. As mentioned above, with some regret, and because you have not met the conditions of the Service Agreement once again, we feel we cannot provide you with the best quality product and also maintain credibility with the state regulatory authority in the time period needed for submittal of the required maps and documents to them. We therefore consider the current Services Agreement dated **November 22, 2004** terminated.

In addition to the aforementioned enclosures, I have also included with this letter the original aerial photographs and electronic files of the quarry area. I wish you the best of luck with your endeavors in the future.

Sincerely,

  
Patrick D. Collins, Ph.D.  
President





MT NEBO SCIENTIFIC, INC.

*research & consulting*

ATTACHMENT A

VIA FACSIMILE:

July 19, 2004

Justin Cozad  
*Pelican Point Rock Products*  
1565 North Redwood Road  
Lehi, Utah 84043

Dear Mr. Cozad:

You requested me to provide a time frame on the work needed for *Pelican Point Rock Products* to be submitted to the State of Utah, Division of Oil, Gas & Mining (DOGM). Since that time I contacted DOGM to get a better understanding of what was needed to be submitted to them from your company. Briefly, it is my understanding that you need a **complete revision** to your current mining plan or Notice of Intent (NOI) including methods and areas mined in the past, current and future. A reclamation plan for these areas will also be needed for bonding purposes.

The revision should also include all new maps. With that in mind, I also called *Olympus Aerial Surveys, Inc.* and then a surveyor that could set controls before the flight for photographs necessary to create new maps.

With the above in mind and with our current obligations and contracts, I think it would take us until January 31, 2005 to provide you with a document with the level of detail DOGM is requiring. I realize this seems like a long time and, because DOGM has been so patient in the past with their requests for information from *Pelican Point Rock Products*, I am not sure how they will respond to this proposed deadline.

Please confer with your at colleagues at Pelican Point and contact DOGM to see if that time frame is acceptable. After that, please let me know by July 26, 2004 if you want us to draw up a contract to get the work started.

Sincerely,

Patrick D. Collins, Ph.D.  
Environmental Consultant



State of Utah

Department of  
Natural Resources

ROBERT L. MORGAN  
*Executive Director*

Division of  
Oil, Gas & Mining

LOWELL P. BRAXTON  
*Division Director*

OLENE S. WALKER  
*Governor*

GAYLE F. McKEACHNIE  
*Lieutenant Governor*

June 8, 2004

CERTIFIED RETURN RECEIPT  
7099 3400 0016 8896 0204

Lance Heaton  
Pelican Point Rock Products  
1565 North Redwood Road  
P.O. Box 386  
Lehi, Utah 84043

Subject: Notice of Potential Non-Compliance & Division Directive, Pelican Point  
Rock Products, Pelican Point Quarry, M/049/0011, Utah County, Utah

Dear Mr. Heaton:

On August 19, 2003, we requested that a map for the Pelican Point Quarry be prepared and submitted to our office by October 20, 2003. You subsequently requested an additional 60 days to prepare and submit this map. We granted the extension because you stated that this map was to be submitted with an updated Notice of Intention for this mine. On December 19, 2003, we received a second request for another 60-day extension. Because of the holiday season, we granted an additional 30 days to submit the requested map. Our December 29, 2003 letter stated that if you were unable to meet this deadline, you were to contact the Division to schedule a meeting with the Associate Director and the Division Staff. No meeting was arranged, therefore, we assumed that the mapping of the site and NOI preparation were on schedule.

The deadline for the latest extension to January 30, 2004, was made to allow Pelican Point Rock Products to have an aerial survey flown for the site. This aerial survey is needed because the existing disturbed area maps do not reflect all of the current disturbances at the site.

Division staff inspected the mine site on June 4, 2004. We noted several areas on the site that may not be covered under the present mining and reclamation plan. During this visit, we were informed the requested information would be available within several weeks.

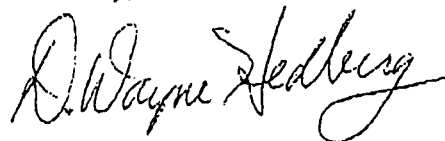
Page 2  
Lance Heaton  
S/O49/011  
June 8, 2004

After our inspection we contacted Mr. Patrick Collins (Mt. Nebo Scientific) to check on the status of the survey. He stated that to his knowledge, the aerial survey for the site had not been authorized, therefore, not scheduled. Justin Cozad of your company had recently contacted him to inquire about his work to date. Patrick stated that no authorization was given by Justin to proceed with any further work.

*Because of your failure to respond to repeated requests for updated permitting information for the Pelican Point Quarry, we hereby forward this Notice of Potential Non-Compliance to you. You are hereby directed to contact the Division within 10 days of your receipt of this letter to schedule a meeting to discuss options to remedy this situation.* Please contact Vicki Southwick, Executive Secretary, at (801) 538-5304, to arrange a meeting with the Associate Director and Division staff to resolve this matter. Your failure to respond accordingly may result in the issuance of a formal Notice of Non-Compliance. This enforcement action could require an immediate suspension of mining operations, and the posting of a transitional reclamation surety at \$5,000/acre for areas disturbed outside the permitted mine area.

If you have any questions regarding this notice, please contact me at (801) 538-5286 or Doug Jensen at (801) 538-5382. Thank you for your immediate attention to this matter.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb  
cc: John Blake, SITLA  
Mary Ann Wright, GCM  
Doug Jensen, DOGM  
Vickie Southwick, GCM

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